(c) what steps Government plans to undertake to make the process of loan sanctioning, its disbursal, EMI calculation and pre-payment penalty, more transparent and consumer friendly?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) to (c) Reserve Bank of India (RBI) has issued guidelines on 'Fair Practice Code for Lenders' which are required to be framed by Banks/Financial Institutions/Non Banking Financial Companies (NBFCs) duly adopted by their respective Boards. These guidelines which are revised periodically, *inter-alia*, stipulate that loan application forms in respect of all categories of loans irrespective of the amount of loan sought by the borrower should be comprehensive. It should include information about the fees/charges, if any, payable for processing the amount of such fees refundable in the case of non acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower. Further the banks are advised to inform 'all-in-cost' to the customer to enable him to compare tbe rates charged with other sources of finance.

In terms of RBI guidelines dated July 1, 2009 on 'Loan and Advances - Statutory and other Restrictions', the lender should convey to the borrower, among other things, the terms and conditions and other caveats governing credit facilities, in writing and duly certified by the authorised official. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement, should be invariably furnished to all the borrowers at the time of sanction / disbursement of loans.

Further, Banks/Financial Institutions/NBFCs adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium etc. and determine the rate of interest to be charged for loans and advances.

**Separation of lending business from investment business by banks**

477. DR. E.M. SUDARSANA NATCHIAPPAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government is proposing to the public sector banks to follow separation of traditional lending business from the investment business; and

(b) if so, whether the profit earned in quarterly basis reflects this proportionally with risk on the substantial part of their assets kept for the role of supporting the economy?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) Reserve Bank of India (RBI) has prescribed prudential guidelines on the exposure norms, capital requirements, asset classification and provisioning requirements in accordance with the best international practices. The complexity in Indian banking system is not very high as banks are not allowed to offer exotic structured products, and they can carry out both commercial banking and investment banking simultaneously. The banking system in India is very well regulated.

Further, RBI has issued detailed guidelines to the banks to capture the credit risk associated with their traditional lendings as well as their investments, in accordance with the risk rating assigned to such exposures by the external credit rating agencies. In respect of the investments of banks, RBI has issued detailed guidelines to capture the market risk comprising of interest rate risk, foreign exchange risk, equity risk and commodity risk, etc. in investments. The banks are required to maintain minimum regulatory capital, on an ongoing basis, for credit risk, market risk and operational risk in accordance with RBI guidelines.

**Modus operandi of STR**

478. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether it has been made mandatory for stock brokers to bring incidents of suspicious transactions to Government's notice through a report called "Suspicious Transaction Report" (STR) prescribed for this purpose;

(b) if so, the details of the instructions so issued indicating the basic features of STR system and its *modus operandi;*

(c) the number of STRs received from stock brokers since its inception, investigations carried out and number of instances where STRs led to actionable evidences of money laundering or unlawful transactions; and

(d) the details of action taken in respective cases, indicating current status of each?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) Section 12 of the Prevention of Money Laundering Act, 2002 (PMLA) read with the rules framed thereunder (PMLA Rules), require furnishing of suspicious transaction by various entities in the financial sector including stock brokers, to the Financial Intelligence Unit, India (FIU-IND).

"Suspicious Transaction" in the PMLA Rules means a transaction, including an attempted transaction, whether or not made in cash, which to a person acting in good faith -

(a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or

(b) appears to be made in circumstances of unusual or unjustified complexity; or

(c) appears to have no economic rationale or bonafide purpose; or

(d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.